

STATEMENT

Of

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Before the

SENATE COMMITTEE ON COMMERCE, SCIENCE
AND TRANSPORTATION

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Mr. Chairman, thank you for the invitation to appear before the Committee this morning. On behalf of our Board and our 25,000 employees, we thank you for your leadership on passenger rail issues. We are especially encouraged by this Committee's recent unanimous support of the Rail Security Act, S. 1550. This bill is critical to strengthening the security and safety of our national passenger rail system. We hope it can be enacted promptly.

I also appreciate the opportunity to address S. 1530, the Railroad Advancement and Infrastructure Law for the 21st Century, or "RAIL-21." The need to resolve the issues raised by RAIL-21 has never been greater than it is today. Indeed, we welcome this measure -- and similar ones emerging in the House and from the Administration -- as the first steps toward a comprehensive re-examination of our nation's passenger rail policy over the next several months.

As we go forward together, I believe we need to find common ground around two goals:

- The first goal must be to eliminate conflicting policy mandates and clearly define the role of intercity passenger rail in America's 21st Century transportation mix.
- The second goal is to be honest and straight about the operating and capital costs that are necessary to support the defined missions.

Our conflicting policy mandates are at the root of our problems. For 30 years, Amtrak's primary mission has been to maintain and operate a national network of passenger rail service. Our charter statute directs Amtrak to "*completely* develop the potential of modern rail transportation to meet the intercity and commuter needs of the United States." In 1997, Congress reaffirmed our national public service role, but it also added a requirement that we achieve operational self-sufficiency by December 2002.

Amtrak's Board, management, and employees have made serious, sustained efforts to achieve these objectives. For the past

four years, we have been working hard to meet the self-sufficiency deadline *and* hold the national system together. But the practical effect is that we must cross-subsidize the unprofitable, public-service routes with revenues from profitable routes and other commercial activities. That leaves no money for reinvestment in the existing system, and it drives up operating costs because we are unable to modernize our plant, equipment, and technology.

It was difficult enough to reconcile the conflicting mandates and inadequate capital before September 11 and the downturn in the economy. Today, trying to meet both public service and commercial requirements is more difficult than ever before. With the economy contracting and public expectations about security and safety rising, the self-sufficiency deadline will force us to choose very soon between two evils:

- Meet the self-sufficiency requirement by taking on more debt, mortgaging assets and cutting back service severely;
- Or preserve the current system and increase security in the short run, risking a statutory process which, under the law as written, could lead to liquidation and which would paralyze us financially.

Either course would make more difficult the high-level policy choices that only Congress and the Administration should make. That is why we strongly support an early reauthorization effort.

Fortunately, the RAIL-21 bill shows a recognition that Congress and the Administration have workable options and a timely opportunity to resolve these dilemmas.

It is an opportunity to decide what America's intercity passenger rail system should become in the next 20 or 30 years. You may decide it should consist of profitable routes only. Or that it should also include the federally designated high-speed corridors. Or expand that to include long-distance routes through many important communities, large and small. Amtrak stands ready to inform this discussion. But only policy makers can define our mission.

Hand in hand with these choices, you must decide how the system is to be financed. Operating revenues cannot do the job alone. This means being specific and realistic about how much capital will be provided to support the various components and what the sources of funding will be. Should Amtrak cross-subsidize the public services that don't pay for themselves? Or should there be direct government support of these routes?

As I said a moment ago, we are eager to help inform the discussion, but the decisions must come from policy makers. In that regard, RAIL-21 is a solid basis for continuing the discussion, and we ask again for your assistance in bringing these issues to closure.

Mr. Chairman, when you introduced RAIL-21, you said:

"Nations around the globe invest in passenger rail service because it increases opportunities to travel and a nation's quality of life. Rail service reduces car congestion and pollution. And we saw last month that during a national emergency, having a viable, operating national train system can be a strategic asset.

I think that hits the nail on the head. Passenger rail is not a solution to *all* our transportation problems, and we bring some challenges to the table. But we certainly face an extraordinary opportunity to guarantee greater freedom of movement -- and other social and economic benefits -- for a relatively modest price tag. Smart, strategic investments in rail will reduce traffic congestion, create jobs, and strengthen the foundations of our economy and mobility.

For 30 years, Amtrak has labored under the weight of a business model that does not work. It's time to fix the model. We must seize the opportunity to clearly and honestly define the role of passenger rail, and provide the policies and financial commitments to ensure we do it right -- the way all of our economic competitors do.

Once again, Mr. Chairman, we appreciate your support and efforts to bring quick resolution to these critical national issues. We

are ready to work with you and all Members of Congress to write a new chapter in the history of passenger rail in America.

I would be happy to take your questions.